

**City of DeWitt  
Clinton County, Michigan**

**FINANCIAL STATEMENTS**

**June 30, 2008**

City of DeWitt

Clinton County, Michigan

June 30, 2008

CITY COUNCIL AND ADMINISTRATION

Jim Rundborg	Mayor
Susan Erickson	Mayor Pro Tem
Ray Knick	Council Member
Sheryl Strouse	Council Member
Dave Hunsaker	Council Member
Jim Lancaster	Council Member
Tony Stoker	Council Member
Brian Vick	City Administrator
Lisa Gysen	City Treasurer
Denice Smith-Astalos	City Clerk

City of DeWitt

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June 30, 2008

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
City of DeWitt  
DeWitt, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of DeWitt as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of DeWitt as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of DeWitt's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

October 20, 2008

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2008**

This section of the City of DeWitt annual report presents our discussion and analysis of the City of DeWitt's financial performance during the year ended June 30, 2008. Please read it in conjunction with the City's financial statements, which immediately follow this section.

The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the City of DeWitt's management's discussion and analysis of the financial results for the fiscal year ended June 30, 2008.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of DeWitt financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and longer-term view of the finances. The *Fund Financial Statements* provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds - the General Fund, Major Street (Special Revenue Fund), Building Authority Bonds (Debt Service Fund) and other smaller funds collectively as non-major governmental funds.

**Government-Wide Financial Statements**

One of the most important questions asked about the City is, "As a whole, what is the City's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the basic financial statements, report information on the City as a whole and its activities in a way that helps you answer this question. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets (page 1) presents all of the City of DeWitt's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the City of DeWitt's financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the City of DeWitt's net assets changed during fiscal year 2008. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods.

Both statements report the following activities:

- **Governmental Activities** - Most of the City DeWitt's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. This also includes the activities such as the major and local street maintenance, and debt service.
- **Business-type Activities** - These activities operate like private businesses. The City of DeWitt charges fees to recover the cost of the services provided. The City of DeWitt Water and Sewer System are examples of such activities.
- **Discretely Presented Component Unit** - Discretely presented component units are legally separate organizations for which the City of DeWitt Council appoints a majority of the organization's policy board and there is a degree of financial accountability to the City of DeWitt. The City of DeWitt Downtown Development Authority (DDA) is a discretely presented component unit of the City.

As stated previously, the Government-wide financial statements are full accrual basis statements. However, the governmental funds report on a modified accrual basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources. Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 5 and 8 present reconciliations between the two statement types.

**Fund Financial Statements**

The fund level financial statements are reported on the modified accrual basis. Only those assets that are "measurable" and "available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City of DeWitt uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as funds required by bond or grant agreements. Funds are also utilized to track specific operations; these include the internal services fund (e.g. Motor pool) as well as enterprise funds such as the Water and Sewer Fund.

In the governmental fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No capital assets are reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

The City of DeWitt's funds are divided into two categories - governmental and proprietary - and use different accounting approaches:

- **Governmental Funds** - Most of the City of DeWitt's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the City of DeWitt's programs. Governmental funds include the General Fund, as well as special revenue, capital projects, debt service, and permanent funds.
- **Proprietary Funds** - Services for which the City of DeWitt charges customers a fee are generally reported in proprietary funds. Proprietary funds use the same accrual basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. Enterprise funds report activities that provide supplies and/or services to the general public. Internal Service funds report activities that provide supplies or service to the City of DeWitt's other operations, such as the Motor Pool Fund. Internal Service funds are reported as governmental activities on the government-wide statements.

**Notes to the Financial Statements**

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 12 of this report.

**Required Supplementary Information**

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes budgetary comparison schedules for the General Fund and the major special revenue fund.

# Management's Discussion and Analysis For Fiscal Year Ended June 30, 2008

## Other Supplementary Information

Other Supplementary Information includes combining financial statements for non-major governmental funds. These funds are added together, by fund type, and are presented in a single aggregate column in the basic financial statements.

## Summary of Net Assets:

The following summarizes the net assets as of June 30, 2008.

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Assets</b>						
Current and other assets	\$2,505,283	\$1,903,961	\$2,660,734	\$2,620,403	\$5,166,017	\$4,524,364
Capital assets, net	4,474,795	4,506,792	4,109,352	4,076,115	8,584,147	8,582,947
Total assets	6,980,078	6,410,753	6,770,086	6,696,558	13,750,164	13,107,311
<b>Liabilities</b>						
Current	561,440	159,748	31,583	10,072	593,023	169,820
Noncurrent	661,429	708,754	-	-	661,429	780,754
Total liabilities	1,222,869	940,502	31,583	10,072	1,254,452	950,574
<b>Net Assets</b>						
Invested in capital assets- net of related debt	3,699,795	3,616,792	4,109,352	4,076,155	7,809,147	7,692,947
Restricted	811,589	772,200	1,082,379	1,033,975	1,893,968	1,776,175
Unrestricted	1,245,825	1,081,259	1,546,772	1,606,356	2,792,597	2,687,615
Total net assets	\$5,757,209	\$5,470,251	\$6,738,503	\$6,686,486	\$12,495,712	\$12,126,737

## Results of Operations:

For the fiscal year ended June 30, 2008 and 2007, the Government-wide results of operations were:

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenues</b>						
Program revenue:						
Charges for services	\$ 470,741	\$ 510,431	\$ 578,675	\$ 600,741	\$ 1,049,416	\$ 1,111,172
Operating grants and contributions	284,711	287,720	-	-	284,711	287,720
General revenues:						
Property taxes	1,821,559	1,724,144	-	-	1,821,559	1,724,144
State Revenue Sharing	384,032	388,938	-	-	384,032	388,938
Investment earnings	101,256	118,482	44,468	80,181	145,724	198,663
Equity in SCCMUA operations	-	-	55,732	94,593	55,732	94,593
Miscellaneous	200,739	179,043	14,116	2,398	214,855	181,441
Transfers	(1,115)	19,882	1,115	(19,882)	-	-
Total revenues and transfers	3,261,923	3,228,640	694,106	758,031	3,956,029	3,986,671

# Management's Discussion and Analysis For Fiscal Year Ended June 30, 2008

## Results of Operations: - continued

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Expenses</b>						
General government	\$ 1,031,937	\$ 1,029,010	\$ -	\$ -	\$ 1,031,937	\$ 1,029,010
Public safety	922,351	961,275	-	-	922,351	961,275
Public works	827,815	506,449	-	-	827,815	506,449
Recreation and cultural	152,910	104,624	-	-	152,910	104,624
Water & Sewer	-	-	642,089	675,576	642,089	675,576
Interest on long-term debt	39,952	42,812	-	-	39,952	42,812
<b>Total expenses</b>	<b>2,974,965</b>	<b>2,644,170</b>	<b>642,089</b>	<b>675,576</b>	<b>3,617,054</b>	<b>3,319,746</b>
Change in net assets	286,958	584,470	52,017	82,455	338,975	666,925
Restated Net assets, beginning of year	5,470,251	4,885,781	6,686,486	6,604,031	12,156,737	11,489,812
Net assets, end of year	<b>\$ 5,757,209</b>	<b>\$ 5,470,251</b>	<b>\$ 6,738,503</b>	<b>\$ 6,686,486</b>	<b>\$ 12,495,712</b>	<b>\$ 12,156,737</b>

## Analysis of Results of Operations:

During fiscal year ended June 30, 2008, the City's net assets increased by \$338,975. Several factors which contributed to this increase are discussed in the following sections.

### A. Governmental Activities Operating Results

The City's revenues from governmental activities operations exceeded expenses by \$286,958 for the fiscal year ended June 30, 2008.

### B. Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the City's *governmental funds* is to provide information on near-terms inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,860,780, an increase of \$121,565 in comparison with the prior year. Approximately 66% of this amount (\$1,232,757) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to pay for specific debt services or for a variety of other restricted purposes.

The General Fund is the chief operating fund of the City. At the end of the fiscal year, the unreserved/undesignated fund balance of the General Fund was \$721,444. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved/undesignated fund balance at of June 30, 2008, represented 26% of total General Fund expenditures and other financing uses.

The fund balance of the City's General Fund increased by \$89,714 during the current fiscal year.

The Local Street Fund (major governmental fund) had a fund balance of \$314,437 at the close of the fiscal year. This was a decrease of \$18,105 from the prior year. This was primarily attributable to the expenses related to the local street improvements.



## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2008

The Building Authority Bonds (major governmental fund) had a fund balance of \$54,768 at the close of the fiscal year. This was an increase of \$5,577 from the prior year.

*Proprietary funds.* The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$6,738,503. The most recent fiscal year's activities increased the net assets of the Water and Sewer Fund by \$52,017. This increase was attributable to two spot repairs to the sewer main on Cedarwood Drive and installation of 300 feet of water main in the same vicinity.

### C. Long-Term Debt Activities

The City reduced its long-term debt obligation during 2007-2008 by making principal payments of \$115,000. This makes the ending long-term debt \$814,871 for 2007-2008 fiscal year.

The City made principal payments on long-term debt obligations that reduced the amount of the City's long-term liabilities as follows:

	Principal Balance June 30, 2007	Principal Payments	Principal Balance June 30, 2008
1999 Building Authority Bonds	\$ 485,000	\$ 70,000	\$ 415,000
2004 Transportation Bonds	405,000	45,000	360,000
Compensated Absences	<u>38,357</u>	<u>54,493</u>	<u>39,871</u>
Total Long-Term Obligations	<u><b>\$ 928,357</b></u>	<u><b>\$ 168,493</b></u>	<u><b>\$ 814,871</b></u>

### D. Net Investment in Capital Assets

The City's net investment in capital assets (Primary Government) decreased by \$31,997 during the fiscal year. This can be summarized as follows:

Major capital asset expenditures during the fiscal year included the following:

- Purchase of Chevy Tahoe for Police Department
- Purchase of Ford F250 for Department of Public Services

Major capital asset dispositions during the fiscal year included the following:

- Sale of 2004 Crown Victoria
- Sale of 2005 Crown Victoria
- Reclassification of Case Backhoe

	Balance June 30, 2007	Net Additions/ Deletions	Balance June 30, 2008
Capital assets	\$ 5,818,225	\$( 177,515 )	\$ 5,640,710
Less: accumulated depreciation	<u>(2,009,134 )</u>	<u>( 82,254 )</u>	<u>(2,091,388 )</u>
	3,809,091	( 259,769 )	3,549,322
Add: Land (not depreciated)	<u>697,701</u>	<u>227,772</u>	<u>925,473</u>
Net investment in capital assets	<u><b>\$ 4,506,792</b></u>	<u><b>\$( 31,997 )</b></u>	<u><b>\$ 4,474,795</b></u>

**Contacting the City's Financial Management**

This financial report is designed to provide our citizens and taxpayers with a general overview of the City's finances. If you have questions about this report or need additional information, contact the Lisa Grysen, City Treasurer, City of DeWitt, 414 East Main Street, DeWitt, Michigan 48820.

## **BASIC FINANCIAL STATEMENTS**

## City of DeWitt

## STATEMENT OF NET ASSETS

June 30, 2008

	Primary Government			
	Governmental Activities	Business- type Activities	Total	Component Unit
ASSETS				
Current assets				
Cash and cash equivalents	\$ 734,049	\$ 3,524	\$ 737,573	\$ 230,506
Investments	1,677,607	1,079,900	2,757,507	-
Receivables	127,521	303,957	431,478	-
Due from other governmental units	100,730	-	100,730	-
Total current assets	2,639,907	1,387,381	4,027,288	230,506
Noncurrent assets				
Investment in sewage treatment plant	-	1,138,729	1,138,729	-
Internal balances	(134,624)	134,624	-0-	-
Capital assets not being depreciated	925,473	40,093	965,566	-
Capital assets, net of accumulated depreciation	3,549,322	4,069,259	7,618,581	-
Total noncurrent assets	4,340,171	5,382,705	9,722,876	-0-
TOTAL ASSETS	6,980,078	6,770,086	13,750,164	230,506
LIABILITIES				
Current liabilities				
Accounts payable	401,901	31,583	433,484	-
Accrued interest payable	6,097	-	6,097	-
Current portion of compensated absences	33,442	-	33,442	-
Current portion of long-term debt	120,000	-	120,000	-
Total current liabilities	561,440	31,583	593,023	-0-
Noncurrent liabilities				
Noncurrent portion of compensated absences	6,429	-	6,429	-
Noncurrent portion of long-term debt	655,000	-	655,000	-
Total noncurrent liabilities	661,429	-0-	661,429	-0-
TOTAL LIABILITIES	1,222,869	31,583	1,254,452	-0-
NET ASSETS				
Invested in capital assets, net of related debt	3,699,795	4,109,352	7,809,147	-
Restricted for:				
SCCMUA operations	-	1,082,379	1,082,379	-
Debt service	48,671	-	48,671	-
Other purposes	762,918	-	762,918	-
Unrestricted	1,245,825	1,546,772	2,792,597	230,506
TOTAL NET ASSETS	\$ 5,757,209	\$6,738,503	\$12,495,712	\$ 230,506

See accompanying notes to financial statements.

City of DeWitt  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Primary Government			Component Unit
				Governmental Activities	Business-type Activities	Total	
Primary government:							
Governmental activities:							
General government	\$ 961,305	\$ 206,329	\$ 1,161	\$ (753,815)	\$ -	\$ (753,815)	\$ -
Public safety	942,392	14,050	5,550	(922,792)	-	(922,792)	-
Public works	878,085	239,910	278,000	(360,175)	-	(360,175)	-
Community and economic development	-	1,995	-	1,995	-	1,995	-
Recreation and cultural	153,232	8,457	-	(144,775)	-	(144,775)	-
Interest on long-term debt	39,952	-	-	(39,952)	-	(39,952)	-
Total governmental activities	2,974,966	470,741	284,711	(2,219,514)	-0-	(2,219,514)	-0-
Business-type activities:							
Water and Sewer Fund	642,089	578,675	-	-	(63,414)	(63,414)	-
Total primary government	<u>\$ 3,617,055</u>	<u>\$ 1,049,416</u>	<u>\$ 284,711</u>	(2,219,514)	(63,414)	(2,282,928)	-0-
Component unit:							
Downtown Development Authority	<u>\$ 50,136</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	-0-	-0-	-0-	(50,136)
General revenues:							
Property taxes				1,821,559	-	1,821,559	105,710
State shared revenues				384,032	-	384,032	-
Investment earnings				101,256	44,468	145,724	8,465
Equity in SCCMUA operations				-	55,732	55,732	-
Miscellaneous				200,740	14,116	214,856	4,312
Transfers				(1,115)	1,115	-0-	-
Total general revenues and transfers				2,506,472	115,431	2,621,903	118,487
Change in net assets				286,958	52,017	338,975	68,351
Net assets, beginning of the year				5,470,251	6,686,486	12,156,737	162,155
Net assets, end of the year				<u>\$ 5,757,209</u>	<u>\$ 6,738,503</u>	<u>\$ 12,495,712</u>	<u>\$ 230,506</u>

See accompanying notes to financial statements.

## City of DeWitt

## GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2008

		Special Revenue	Debt Service
		Local	Building
	General	Street	Authority
			Bonds
ASSETS			
Cash and cash equivalents	\$ 607,459	\$ 5,588	\$ 8,685
Investments	510,300	540,300	46,083
Receivables			
Accounts	71,520	-	-
Special assessments	-	26,244	-
Interest	5,387	-	-
Net leasehold receivable	-	-	415,000
Due from other governmental units			
Local	378	-	-
State	54,813	13,351	-
TOTAL ASSETS	<u>\$ 1,249,857</u>	<u>\$ 585,483</u>	<u>\$ 469,768</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 140,069	\$ 244,802	\$ -
Advance from other funds	134,624	-	-
Deferred revenue	-	26,244	415,000
TOTAL LIABILITIES	274,693	271,046	415,000
FUND BALANCES			
Reserved for			
Debt service	-	-	54,768
Cemetery maintenance	-	-	-
Unreserved			
Designated for subsequent year's expenditures	253,720	72,086	-
Undesignated, reported in:			
General fund	721,444	-	-
Special revenue funds	-	242,351	-
Capital projects funds	-	-	-
TOTAL FUND BALANCES	<u>975,164</u>	<u>314,437</u>	<u>54,768</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,249,857</u>	<u>\$ 585,483</u>	<u>\$ 469,768</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 104,438	\$ 726,170
390,924	1,487,607
-	71,520
20,906	47,150
3,464	8,851
-	415,000
-	378
32,188	100,352
<u>\$ 551,920</u>	<u>\$ 2,857,028</u>
\$ 17,030	\$ 401,901
-	134,624
18,479	459,723
<u>35,509</u>	<u>996,248</u>
-	54,768
125,112	125,112
122,337	448,143
-	721,444
268,930	511,281
32	32
<u>516,411</u>	<u>1,860,780</u>
<u>\$ 551,920</u>	<u>\$ 2,857,028</u>

City of DeWitt

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

June 30, 2008

**Total fund balance - governmental funds** **\$ 1,860,780**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 6,566,183	
Accumulated depreciation is	<u>(2,091,388)</u>	
Capital assets, net		4,474,795

Internal Service Funds are used by management to charge the costs  
of certain activities to individual funds. The assets and liabilities  
of the Internal Service Funds are included in the governmental activities  
in the Government-wide Statement of Net Assets.

Net assets of the governmental activities accounted for in the Internal Service Funds	302,111	
Net capital assets of the Internal Service Funds included in total capital assets above	<u>(104,232)</u>	
		197,879

Long-term receivables are not available to pay for current period expenditures  
and are therefore deferred in the funds.

Deferred revenue		44,723
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Long-term liabilities are not due and payable in the current period and  
therefore are not reported in the Governmental Funds Balance Sheet.  
Long-term liabilities at year-end consist of:

Long-term debt payable	775,000	
Accrued interest payable	6,097	
Compensated absences	<u>39,871</u>	
		<u>(820,968)</u>

**Net assets of governmental activities** **\$ 5,757,209**

See accompanying notes to financial statements.



## City of DeWitt

## Governmental Funds

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2008

		Special Revenue	Debt Service
		Local	Building
	General	Street	Authority
			Bonds
REVENUES			
Taxes	\$ 1,914,683	\$ -	\$ -
Licenses and permits	35,887	-	-
Intergovernmental	386,826	81,476	-
Charges for services	250,968	-	-
Fines and forfeits	7,845	-	-
Interest and rents	61,616	23,265	6,876
Other	200,729	5,133	-
TOTAL REVENUES	2,858,554	109,874	6,876
EXPENDITURES			
Current			
General government	1,112,362	-	-
Public safety	887,453	-	-
Public works	391,673	352,979	-
Recreation and cultural	79,642	-	-
Debt service	5,760	-	92,650
TOTAL EXPENDITURES	2,476,890	352,979	92,650
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	381,664	(243,105)	(85,774)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	225,000	91,351
Transfers out	(291,950)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(291,950)	225,000	91,351
NET CHANGE IN FUND BALANCES	89,714	(18,105)	5,577
Fund balances, beginning of year	885,450	332,542	49,191
Fund balances, end of year	\$ 975,164	\$ 314,437	\$ 54,768

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 1,914,683
33,363	69,250
196,524	664,826
10,590	261,558
-	7,845
17,212	108,969
10,421	216,283
268,110	3,243,414
3,123	1,115,485
46,464	933,917
91,303	835,955
-	79,642
57,325	155,735
198,215	3,120,734
69,895	122,680
599	316,950
(26,115)	(318,065)
(25,516)	(1,115)
44,379	121,565
472,032	1,739,215
\$ 516,411	\$ 1,860,780

City of DeWitt

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

**Net change in fund balances - total governmental funds** **\$ 121,565**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 273,665	
Depreciation expense	<u>(254,503)</u>	
Excess of capital outlay over depreciation expense		19,162

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Repayment of long-term debt	115,000
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Internal service funds are used by management to charge the costs of certain activities to individual funds.

Change in Net Assets of Internal Service Funds	(8,552)	
Capital asset additions of Internal Service Funds included in the total above	(45,893)	
Depreciation expense of the Internal Service Funds included in the total above	<u>66,782</u>	
		12,337

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	19,625
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	783	
(Increase) in accrued compensated absences	<u>(1,514)</u>	
		<u>(731)</u>

<b>Change in net assets of governmental activities</b>	<b><u>\$ 286,958</u></b>
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See accompanying notes to financial statements.

City of DeWitt  
Proprietary Funds  
STATEMENT OF NET ASSETS  
June 30, 2008

	Business-type Activities <u>Enterprise</u> (Water and Sewer)	Governmental Activities <u>Internal</u> Service (Motor Pool)
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 3,524	\$ 7,879
Investments	1,079,900	190,000
Accounts receivable	18,935	-
Special assessments receivable	282,578	-
Accrued interest receivable	2,444	-
Total current assets	<u>1,387,381</u>	<u>197,879</u>
Noncurrent assets		
Advance to other funds	134,624	-
Investment in SCCMUA	1,138,729	-
Capital assets not being depreciated	40,093	-
Capital assets, net of accumulated depreciation	<u>4,069,259</u>	<u>104,232</u>
Total noncurrent assets	<u>5,382,705</u>	<u>104,232</u>
TOTAL ASSETS	6,770,086	302,111
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	<u>31,583</u>	<u>-</u>
<b>NET ASSETS</b>		
Investment in capital assets, net of related debt	4,109,352	104,232
Restricted for SCCMUA operations	1,082,379	-
Unrestricted	<u>1,546,772</u>	<u>197,879</u>
TOTAL NET ASSETS	<u>\$ 6,738,503</u>	<u>\$ 302,111</u>

See accompanying notes to financial statements.

## City of DeWitt

## Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET ASSETS

Year Ended June 30, 2008

	Business-type Activities Enterprise (Water and Sewer)	Governmental Activities Internal Service (Motor Pool)
OPERATING REVENUES		
Charges for services	\$ 556,609	\$ -
Capital benefits	22,066	-
Equipment rental	-	168,308
Other	14,116	13,094
TOTAL OPERATING REVENUES	592,791	181,402
OPERATING EXPENSES		
Salaries and wages	43,600	-
Fringe benefits	29,495	-
Contractual services	334,022	747
Supplies	5,023	45,411
Insurance	-	9,379
Repairs and maintenance	4,433	22,981
Equipment rental	75,683	-
Depreciation	147,797	66,782
Other	2,036	1,521
TOTAL OPERATING EXPENSES	642,089	146,821
OPERATING INCOME (LOSS)	(49,298)	34,581
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	44,468	8,026
Loss on sale of equipment	-	(51,159)
Equity interest in SCCMUA operations	55,732	-
TOTAL NONOPERATING REVENUES (EXPENSES)	100,200	(43,133)
LOSS BEFORE TRANSFERS	50,902	(8,552)
TRANSFERS		
Transfer in	1,115	-
CHANGE IN NET ASSETS	52,017	(8,552)
Net assets, beginning of year	6,686,486	310,663
Net assets, end of year	\$ 6,738,503	\$ 302,111

See accompanying notes to financial statements.

## City of DeWitt

## Proprietary Funds

## STATEMENT OF CASH FLOWS

Year Ended June 30, 2008

	Business-type Activities Enterprise (Water and Sewer)	Governmental Activities Internal Service (Motor Pool)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	\$ 609,176	\$ 13,094
Cash receipts from interfund activities	-	168,308
Cash paid to employees	(43,600)	-
Cash paid to vendors	(429,181)	(80,039)
Cash paid for interfund activities	51,127	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>187,522</b>	<b>101,363</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers in	1,115	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital acquisitions	(180,994)	(45,893)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(600,500)	(190,000)
Maturity of investments	104,967	100,000
Interest revenue	44,468	8,026
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<b>(451,065)</b>	<b>(81,974)</b>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(443,422)</b>	<b>(26,504)</b>
Cash and cash equivalents, beginning of year	446,946	34,383
Cash and cash equivalents, end of year	\$ 3,524	\$ 7,879
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>		
Operating income (loss)	\$ (49,298)	\$ 34,581
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	147,797	66,782
Decrease in receivables	16,385	-
Decrease in advance to other funds	51,127	-
Increase in accounts payable	21,511	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 187,522</b>	<b>\$ 101,363</b>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City operates under an elected City Council, which consists of the Mayor and six (6) council members, with daily activities operated by the City Administrator, City Clerk, and City Treasurer. The City provides services to its more than 4,500 residents in many areas including law enforcement, fire protection, sewer, transportation, and parks and recreation.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to city governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the City of DeWitt (primary government), and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

2. Blended Component Unit

The Building Authority is governed by a four (5) member board appointed by the City Council. Its purpose is to provide for the acquisition and construction of certain public buildings, parking lots or structures, recreational facilities, and the necessary site or sites therefore for the use of the City.

3. Discretely Presented Component Unit

The Downtown Development Authority (component unit) is reported in a separate column to emphasize that, while legally separate, the City of DeWitt remains financially accountable for this entity or the nature and significance of the relationship between this entity and the City of DeWitt is such that exclusion of this entity would render the financial statements misleading or incomplete.

The governing body of the Downtown Development Authority (DDA) is appointed by the City Council, the Authority's budget is subject to the approval of the City Council, the City temporarily relinquishes part of its tax base to the Authority (tax increment revenues), and the City has pledged its full faith and credit toward payment of the Authority's debt. This component unit is audited individually and complete financial statements may be obtained from the City's administrative office.

4. Joint Ventures

The City of DeWitt is a member of the Southern Clinton County Municipal Utilities Authority (SCCMUA). The purpose of the Authority is to operate, maintain, administer, and manage a sewage disposal system for the benefit of the constituent municipalities.

The governing body of the Authority is appointed by the constituent municipalities, and representation is based upon the purchased capacity of each municipality. The City of DeWitt currently is represented by one (1) of the ten (10) members of the Authority board. The annual budget of the Authority is submitted to the constituent municipalities and must be approved by a 2/3 vote of the members-elect of the Authority. A copy of SCCMUA's audit can be obtained at their administrative offices.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**4. Joint Ventures - continued**

The members of the Authority and approximate percentage of responsibility are as follows:

City of DeWitt	11.3131%
DeWitt Charter Township	55.7576%
Watertown Charter Township	16.2020%
Bath Charter Township	16.7273%

For the year ended June 30, 2008, the City of DeWitt contributed \$311,568 to cover its share of operational costs and reserve activities.

Additionally, an investment in SCCMUA is recorded to reflect the current carrying value at June 30, 2008, of the cumulative effect of SCCMUA operations relating to the City's equity share in the joint venture from inception-to-date. The City of DeWitt had recorded their portion of the initial cost of construction of the Authority facilities as capital assets in the Sewer and Water System (Enterprise) Funds, however the portion of those costs relating to the Water System has been eliminated as the City of DeWitt transferred ownership of its water system to the Lansing Board of Water & Light during the fiscal year ended June 30, 2000.

The City of DeWitt is a member of the DeWitt Area Recreation Authority, which is a joint venture between the City of DeWitt and DeWitt Charter Township. The Authority was established in 2003 to provide recreation services. The Authority's activities are overseen by a six (6) member board of Directors, with each municipality appointing three (3) members. Each municipality provides annual appropriations to subsidize operations. The current funding formula approved by the Authority requires DeWitt Charter Township and the City of DeWitt to provide approximately 68 and 32 percent, respectively. In 2008 the City contributed \$29,236. A copy of the DeWitt Area Recreation Authority's audit can be obtained from DeWitt Charter Township's administrative offices.

The DeWitt Area Emergency Services Authority was created in 2001 by a joint venture agreement between the Townships of Olive and Riley and the City of DeWitt. Each municipality appoints two (2) members to the Board. The Fire Chief oversees the day-to-day operations of the Authority. In 2008 the City contributed \$133,129. A copy of the DeWitt Area Emergency Services Authority's audit can be obtained from the City of DeWitt's administrative offices.

**5. Jointly Governed Organizations**

The City participates in the following activity which is considered to be a jointly governed organization in relation to the City, due to there being no ongoing financial interest or responsibility:

Under Public Act 24 of 1989, the City of DeWitt, in conjunction with DeWitt Charter Township, created the DeWitt Public Library which is considered a District Library. The DeWitt Public Library board is composed of three (3) members appointed by each municipality. The City has no financial responsibility to the Library.

**6. Basis of Presentation**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.



NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**6. Basis of Presentation - continued**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS - CONTINUED**

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

**FUND FINANCIAL STATEMENTS**

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the City are:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Local Street Fund is used to account for the financial resources that are used for repairs and maintenance of the City's local streets.
- c. The Building Authority Bonds Fund is used to account for the financial resources that are used to retire the Building Authority Bonds.
- d. The Water and Sewer Fund is used to account for the operations required to provide water and sewer services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

**7. Measurement Focus**

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for agency funds since assets equal liabilities.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**8. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and agency funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**9. Budgets and Budgetary Accounting**

The General and Special Revenue Funds' budgets shown as required and other supplementary information were prepared on the same modified accrual basis used to reflect actual results. This basis is consistent with accounting principles generally accepted in the United States of America. The City employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. The City Administrator submits to Mayor and City Council the proposed operating budgets for the fiscal year commencing the following July 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to July 1, the budget is legally enacted through passage of resolution.
- d. The budget is legally adopted at the total expenditure level for the General Fund and the Special Revenue Funds; however, they are maintained at the account level for control purposes. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

9. Budgets and Budgetary Accounting - continued

- e. Appropriations unused at June 30 are not carried forward to the following fiscal year.
- f. Budgeted amounts are reported as originally adopted or amended by the City Council during the year. Individual amendments were appropriately approved by the City Council as required.

10. Cash, Cash Equivalents, and Investments

The City pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and pooled investment accounts. Cash equivalents consist of temporary investments in mutual funds and certificates of deposit with original maturities of 90 days or less.

Investments include certificates of deposit with original maturities of greater than 90 days from the date of purchase. All certificates of deposit are stated at cost, which approximates market value. Investments are stated at cost.

11. Receivables

Receivables consist of amounts due from various individuals and businesses related to charges for services, amounts owed to the City from special assessments, and taxes levied that have not been collected.

12. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS

Capital assets include land, buildings, equipment, vehicles, utility systems and infrastructure and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and business-type columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Structures and improvements	10 - 40 years
Machinery, furniture, and equipment	5 - 20 years
Vehicles	2 - 10 years
Infrastructure	20 - 25 years
Utility systems	25 - 100 years

13. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**13. Long-Term Obligations - continued**

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

**14. Accrued Vacation and Sick Leave**

Substantially all City employees are granted vacation hours up to a maximum of 160 hours at the employee's anniversary date. In the event of termination, an employee is paid for accumulated vacation hours up to the maximum.

Substantially all City employees are allowed to accrue sick hours up to a maximum of 480 hours. Fifty percent of unused sick time for the preceding 12 months may be paid on or about December 1 of each year. Employees are not paid for accumulated sick time in the event of termination.

The cost of the accumulated vacation, including related payroll taxes, is recorded entirely in the government-wide financial statements.

**15. Accrued Interest Payable**

Accrued interest is presented for long-term obligations in the government-wide financial statements.

**16. Deferred Revenue**

Governmental funds report deferred revenues in connection with receivables for revenue that is not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

**17. Property Tax**

The City of DeWitt bills and collects its own property taxes and also taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

Property taxes are levied by the City of DeWitt on July 1 and December 1 and are payable without penalty through September 30 and February 14, respectively. The July 1 levy is composed of the City's millage, County's millage, ½ of the DeWitt Public School's millage, Lansing Community College's millage, Clinton County RESA's millage, special assessments, and school taxes. The December 1 levy is composed of ½ DeWitt Public School's millage, Clinton Area Transit's millage and DeWitt Public library's millage. All real property taxes not paid to the City by March 1 are turned over to the Clinton County Treasurer for collection. The Clinton County Treasurer remits pay-off payments to all taxing districts on any delinquent real property taxes. Delinquent personal property taxes receivable are retained by the City for subsequent collection. Collections and remittances of all taxes are accounted for in the Current Tax Collection Agency Fund. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted by ordinance to levy taxes up to 17.2113 mills (\$17.2113 per \$1,000 of taxable valuation) for general governmental services. For the year ended June 30, 2008, the City levied 13.0000 mills per \$1,000 of taxable valuation for general governmental services. The total taxable value for the 2007 levy for the property within the City was \$144,884,604.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**18. Interfund Transactions**

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers.

The Internal Service Fund (Motor Pool) records charges for services provided to various City departments and funds as operating revenue. All City funds record these payments as operating expenditures/expenses.

**19. Comparative Data**

Comparative data has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

The City deposits consist of a common checking account and various savings accounts, checking accounts, pooled investment accounts, and certificates of deposit maintained by individual funds and are reported as cash and cash equivalents and investments on the basic financial statements.

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State of the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC), and the National Credit Union Administration (NCUA) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2008, the carrying amounts of the City's deposits were \$3,579,771 and the bank balance was \$3,718,918, of which \$3,531,500 was covered by federal depository insurance. The balance of \$187,418 was uninsured and uncollateralized. The City had \$1,275 of imprest cash on hand.

Investments

As of June 30, 2008, the City had the following investments:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
Uncategorized pooled investment funds			
Government Cash Management Fund	\$ 85,000	\$ 85,000	N/A
MBIA - Michigan Class	<u>59,540</u>	<u>59,540</u>	29 days
	<u>\$ 144,540</u>	<u>\$ 144,540</u>	

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). The City's investments in MBIA - Michigan Class was rated AAA/V1+ and the Government Cash Management Fund was not rated.

Interest rate risk

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the City's cash requirements.

Concentration of credit risk

The City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Council and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business in accordance with Council approved policy.

The cash, cash equivalents, and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the basic financial statements, based on criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2008.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 737,573	\$ 230,506	\$ 877,519
Investments	<u>2,757,507</u>	<u>-</u>	<u>2,848,067</u>
	<u>\$ 3,495,080</u>	<u>\$ 230,506</u>	<u>\$ 3,725,586</u>

**NOTE C: ADVANCES RECEIVABLE AND PAYABLE**

The following schedule details advances receivable and payable between funds of the primary government at June 30, 2008:

Advance from Water and Sewer Fund to:	
General Fund	<u>\$ 134,624</u>

The advance to the Water and Sewer Fund was made for the purpose of financing construction.

**NOTE D: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfer to Building Authority Bonds Fund from:	
General Fund	\$ 91,351
Transfers to Local Street Fund from:	
General Fund	\$ 200,000
Nonmajor governmental funds	<u>25,000</u>
	<u>\$ 225,000</u>
Transfer to nonmajor governmental funds from:	
General Fund	<u>\$ 599</u>
Transfer to Water and Sewer fund from:	
Nonmajor governmental funds	<u>\$ 1,115</u>

**NOTE E: CAPITAL ASSETS****Primary Government**

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 697,701	\$ -	\$ -	\$ 697,701
Construction in progress	<u>-</u>	<u>227,772</u>	<u>-</u>	<u>227,772</u>
Subtotal	697,701	227,772	-0-	925,473

## NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE E: CAPITAL ASSETS - CONTINUED****Primary Government - continued**

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<b>Governmental activities - continued</b>				
Capital assets being depreciated				
Buildings	\$ 1,140,234	\$ -	\$ -	\$ 1,140,234
Vehicles	721,983	45,893	( 223,408 )	544,468
Machinery and equipment	379,005	-	-	379,005
Infrastructure	<u>3,577,003</u>	<u>-</u>	<u>-</u>	<u>3,577,003</u>
Total capital assets being depreciated	5,818,225	45,893	( 223,408 )	5,640,710
Less accumulated depreciation				
Buildings	( 398,936 )	( 28,349 )	-	( 427,285 )
Vehicles	( 545,703 )	( 66,782 )	172,249	( 440,236 )
Machinery and equipment	( 340,565 )	( 14,948 )	-	( 355,513 )
Infrastructure	<u>( 723,930 )</u>	<u>( 144,424 )</u>	<u>-</u>	<u>( 868,354 )</u>
Total accumulated depreciation	<u>( 2,009,134 )</u>	<u>( 254,503 )</u>	<u>172,249</u>	<u>( 2,091,388 )</u>
Net capital assets being depreciated	<u>3,809,091</u>	<u>( 208,610 )</u>	<u>( 51,159 )</u>	<u>3,549,322</u>
Total Net Capital Assets	<u>\$ 4,506,792</u>	<u>\$ 19,162</u>	<u>\$ ( 51,159 )</u>	<u>\$ 4,474,795</u>

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

General government	\$ 84,415
Public safety	28,958
Public works	67,540
Recreation and cultural	<u>73,590</u>
Total Depreciation Expense	<u>\$ 254,503</u>

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 40,093	\$ -	\$ -	\$ 40,093
Capital assets being depreciated				
Buildings	1,400,000	126,994	-	1,526,994
Machinery and equipment	780,798	-	-	780,798
Infrastructure	<u>4,580,003</u>	<u>54,000</u>	<u>-</u>	<u>4,634,003</u>
Total capital assets being depreciated	6,760,801	180,994	-0-	6,941,795
Less accumulated depreciation				
Buildings	( 792,000 )	( 29,270 )	-	( 821,270 )
Machinery and equipment	( 147,140 )	( 19,632 )	-	( 166,772 )
Infrastructure	<u>( 1,785,599 )</u>	<u>( 98,895 )</u>	<u>-</u>	<u>( 1,884,494 )</u>
Total accumulated depreciation	<u>( 2,724,739 )</u>	<u>( 147,797 )</u>	<u>-0-</u>	<u>( 2,872,536 )</u>
Net capital assets being depreciated	<u>4,036,062</u>	<u>33,197</u>	<u>-0-</u>	<u>4,069,259</u>
Total Net Capital Assets	<u>\$ 4,076,155</u>	<u>\$ 33,197</u>	<u>\$ -0-</u>	<u>\$ 4,109,352</u>



City of DeWitt

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE F: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2008.

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Amounts Due Within One Year
Governmental Activities					
1999 Building Authority Bonds	\$ 485,000	\$ -	\$ 70,000	\$ 415,000	\$ 70,000
2004 Transportation Bonds	405,000	-	45,000	360,000	50,000
Compensated absences	<u>38,357</u>	<u>54,953</u>	<u>53,493</u>	<u>39,871</u>	<u>33,442</u>
<b>TOTAL REPORTING ENTITY</b>	<b><u>\$ 928,357</u></b>	<b><u>\$ 54,953</u></b>	<b><u>\$ 168,493</u></b>	<b><u>\$ 814,871</u></b>	<b><u>\$ 153,442</u></b>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

**PRIMARY GOVERNMENT**

General Obligation Bonds

\$975,000 Building Authority Bonds, Series 1999, dated February 1, 1999, due in annual installments ranging from \$65,000 to \$70,000 through May 1, 2014, with interest ranging from 4.40 to 4.80 percent, payable semi-annually. \$ 415,000

\$450,000 2004 Michigan Transportation Fund Bonds dated December 1, 2004, due in annual installments ranging from \$50,000 to \$70,000 through October 1, 2013, with interest ranging from 2.75 to 3.70 percent, payable semi-annually. 360,000

\$ 775,000

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused vacation. The dollar amounts of these vested rights have been recorded in the government-wide financial statements. They amount to approximately \$39,871 at June 30, 2008.

Annual Requirements for Bonded Debt and Installment Loans

The annual requirement to pay the debt principal and interest outstanding for the following bonds are as follows:

**Primary Government**

Year Ending June 30,	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 120,000	\$ 30,015
2010	125,000	25,437
2011	130,000	20,600
2012	130,000	15,500
2013	135,000	10,138
2014	<u>135,000</u>	<u>4,415</u>
	<u>\$ 775,000</u>	<u>\$ 106,105</u>

City of DeWitt

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE G: LONG-TERM LEASE**

The Building Authority is a party to a long-term lease agreement for rental of land located behind City Hall, McGuire Park, Riverside Park, Sports Park, and River Trail Park, to the City of DeWitt, Michigan. The lease stipulates that fixed annual rentals will be paid to the Authority by the City of DeWitt, Michigan and such rentals are pledged exclusively for payment of principal and interest on the Building Authority bonds. In addition, the City pledges its unlimited tax, full faith, and credit as security under the lease. Fixed annual rental will cease after all bonds have been retired and advance rentals repaid on May 1, 2014. The lease agreement provides, further, that after all bonds are retired and advance rentals repaid, title to the land and buildings will vest to the City of DeWitt.

The long-term lease has been accounted for as a capital lease in the debt service fund. The net leasehold receivable represents the present value of future minimum lease payments due from the City. Revenue represented by the noncurrent portion of the receivable is deferred until it becomes a current receivable. Future minimum lease payments scheduled to be received by the Authority from the City are as follows:

2009	\$ 88,940
2010	85,860
2011	82,780
2012	79,630
2013	76,410
2014	<u>68,120</u>
	481,740
Less: Interest portion	( <u>66,740</u> )
	<u>\$ 415,000</u>

**NOTE H: FUND EQUITY RESERVES AND DESIGNATIONS**

Reserved fund balances are used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use. Designated fund balance indicates that portion of the fund balance which the City has set aside for specific purposes.

The following are the various reserved fund balances as of June 30, 2008:

Fund Balances

Building Authority Bonds Fund	
Reserved for debt service	<u>\$ 54,768</u>
Nonmajor governmental funds	
Reserved for cemetery perpetual care	<u>\$ 125,112</u>

The following are the various designated fund balances as of June 30, 2008:

Fund Balances

General Fund	
Designated for subsequent year's expenditures	<u>\$ 253,720</u>
Local Street Fund	
Designated for subsequent year's expenditures	<u>\$ 72,086</u>
Nonmajor governmental funds	
Designated for subsequent year's expenditures	<u>\$ 122,337</u>

## NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE I: RESTRICTED NET ASSETS**

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of June 30, 2008:

<b>PRIMARY GOVERNMENT</b>	
Governmental activities	
Restricted for debt service	\$ <u>48,671</u>
Restricted for other purposes	
Cemetery perpetual care	\$ 125,112
Drug law enforcement	2,577
Streets	<u>635,229</u>
Total restricted for other purposes	\$ <u>762,918</u>
Business-type activities	
Restricted for SCCMUA operations	\$ <u>1,082,379</u>

**NOTE J: POST-EMPLOYMENT BENEFITS**

In addition to the pension benefits described in Note K, the City provides post-employment health care benefits to all of its retired employees who meet eligibility requirements. Currently, the City is paying the health care premium for three (3) retirees. During the year, approximately \$12,853 was paid for post retirement health care.

The Governmental Accounting Standards Board has released Statement No. 45, *Accounting and Reporting by Employers for Post-employment Benefits Other Than Pensions*. The pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" post-employment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the new employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ended June 30, 2010.

**NOTE K: RETIREMENT PLAN**Plan Description

The City participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units, and as of the December 31, 2007 valuation required contributions from the City of 20.5% of gross wages for the general government, 15.13% of gross wages for the police union, and 15.69% of gross wages for the Department of Public Safety.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE K: RETIREMENT PLAN - CONTINUED****Annual Pension Cost**

For year ended June 30, 2008 the City's annual pension cost of \$316,005 for the plan was greater than the City's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of twenty-eight years.

**Three (3) year trend information**

	Year Ended December 31,		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Actuarial value of assets	\$ 1,380,885	\$ 1,568,144	\$ 1,772,743
Actuarial accrued liability (AAL) (entry age)	2,841,106	3,018,640	3,286,399
Unfunded AAL	1,460,221	1,450,496	1,513,656
Funded ratio	49 %	52 %	54 %
Covered payroll	711,966	883,385	824,160
UAAL as a percentage of covered payroll	205 %	164 %	184 %

  

	Year Ended June 30,		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
Annual pension cost	\$ 164,365	\$ 204,991	\$ 316,005
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the MERS actuarial reports as of December 31, 2005, 2006, and 2007.

**NOTE L: RISK MANAGEMENT**

The City participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

The City also participates in a State pool, the Michigan Municipal Liability and Property Pool, with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

**NOTE M: CONTRACTUAL COMMITMENTS**

The City has entered into various contracts relating to infrastructure improvements that were not completed at June 30, 2008. The contractual commitments outstanding at standing at June 30, 2008 total \$693,992. The City plans to cover these commitments with existing fund equity.

City of DeWitt

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE N: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

The approved budgets of the City have been adopted at the total expenditure level for the General Fund and the Special Revenue Funds.

During the year ended June 30, 2008, the City incurred expenditures in the General Fund and one (1) Special Revenue fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund	\$ 2,755,360	\$ 2,768,840	\$ 13,480
Local Street Fund	333,877	352,979	19,102

## **REQUIRED SUPPLEMENTARY INFORMATION**

## City of DeWitt

## General Fund

## BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes				
Property taxes	\$ 1,814,065	\$ 1,821,534	\$ 1,821,559	\$ 25
Penalties and interest	8,350	10,800	24,313	13,513
Administration fees	67,000	68,800	68,811	11
Total taxes	1,889,415	1,901,134	1,914,683	13,549
Licenses and permits				
Franchise fees	30,000	26,500	34,664	8,164
Other permits	1,500	1,200	1,223	23
Total licenses and permits	31,500	27,700	35,887	8,187
Intergovernmental				
State				
State shared revenue	375,000	384,025	384,032	7
State liquor license	1,340	1,140	1,161	21
Michigan justice training	1,700	1,625	1,633	8
Total intergovernmental	378,040	386,790	386,826	36
Charges for services				
Sewer inspections	1,350	575	550	(25)
Refuse service	208,000	191,925	200,322	8,397
Site plan reviews	9,350	2,450	2,454	4
Park and recreation fees	5,000	8,425	8,457	32
Cemetery	27,200	31,350	31,375	25
Other fees	12,000	12,000	7,810	(4,190)
Total charges for services	262,900	246,725	250,968	4,243
Fines and forfeits				
Parking	1,525	2,025	2,050	25
Other	4,450	5,750	5,795	45
Total fines and forfeits	5,975	7,775	7,845	70
Interest and rents				
Interest	35,500	51,350	49,616	(1,734)
Rents	12,000	12,000	12,000	-0-
Total interest and rents	47,500	63,350	61,616	(1,734)
Other				
Reimbursements	148,743	151,243	151,301	58
Other	19,000	49,150	49,428	278
Total other	167,743	200,393	200,729	336
<b>TOTAL REVENUES</b>	<b>2,783,073</b>	<b>2,833,867</b>	<b>2,858,554</b>	<b>24,687</b>

## City of DeWitt

## General Fund

## BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
<b>EXPENDITURES</b>				
General government				
Legislative				
Salaries	\$ 13,460	\$ 10,960	\$ 10,918	\$ 42
Social Security	1,030	1,030	891	139
Retirement	25,000	125,000	125,000	-0-
Professional services	-	3,000	3,000	-0-
Sister city	2,500	500	374	126
Conference and travel	2,500	3,925	5,878	(1,953)
Memberships and dues	5,202	4,877	4,857	20
Miscellaneous	4,703	4,803	4,486	317
Total legislative	54,395	154,095	155,404	(1,309)
Administrator				
Salaries	163,897	160,822	160,765	57
Social security	12,538	12,863	12,854	9
Health/Dental	13,580	14,155	14,143	12
Life insurance	2,610	2,635	2,620	15
Retirement	40,974	40,474	40,465	9
Deferred compensation	13,100	13,000	12,968	32
Medical reimbursement	2,000	1,525	1,501	24
MERS health care savings plan	-	11,800	11,785	15
Equipment rentals	5,200	5,200	5,200	-0-
Conference and travel	3,208	3,108	4,180	(1,072)
Memberships and dues	989	989	901	88
Miscellaneous	150	250	-	250
Total administrator	258,246	266,821	267,382	(561)
Elections				
Salaries	5,084	2,084	2,002	82
Supplies	4,215	865	839	26
Miscellaneous	720	245	239	6
Capital outlay	130	30	-	30
Total elections	10,149	3,224	3,080	144
Assessor				
Personal services	432	382	371	11
Assessing services	31,033	31,033	31,033	-0-
Miscellaneous	1,775	1,300	1,262	38
Assessors plat	-	21,250	21,248	2
Total assessor	33,240	53,965	53,914	51



## City of DeWitt

## General Fund

## BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
<b>EXPENDITURES - CONTINUED</b>				
<b>Clerk</b>				
Salaries	\$ 58,117	\$ 60,117	\$ 60,090	\$ 27
Social security	4,446	4,596	4,580	16
Health insurance	10,885	11,360	11,353	7
Life insurance	980	980	966	14
Retirement	14,529	14,879	14,864	15
Medical reimbursement	1,000	1,000	500	500
Conference and travel	2,200	2,350	2,350	-0-
Memberships and dues	493	493	493	-0-
Total clerk	92,650	95,775	95,196	579
<b>Treasurer</b>				
Salaries	58,691	59,491	59,484	7
Social security	4,490	4,540	4,461	79
Health insurance	10,885	11,335	11,368	(33)
Life insurance	980	1,480	956	524
Retirement	14,673	14,273	15,137	(864)
Deferred compensation	-	200	-	200
Medical reimbursement	1,000	1,000	558	442
Conference and travel	1,000	1,000	1,194	(194)
Memberships and dues	300	300	290	10
Total treasurer	92,019	93,619	93,448	171
<b>City Hall and Grounds</b>				
Worker's compensation	13,990	11,990	11,909	81
Unemployment compensation	300	150	121	29
Supplies	25,235	19,260	20,764	(1,504)
Professional services	57,423	38,523	41,517	(2,994)
Refuse contract	130,697	117,972	128,470	(10,498)
Liability insurance	25,252	22,112	22,087	25
Recycling program	60,000	60,325	60,310	15
Telephone	7,416	7,016	7,006	10
Printing and publishing	12,360	13,360	14,186	(826)
Utilities	72,718	78,643	78,565	78
Repairs and maintenance	25,235	15,160	15,334	(174)
Equipment rental	989	714	704	10
Capital outlay	36,000	15,400	15,337	63
Total city hall and grounds	467,615	400,625	416,310	(15,685)

## City of DeWitt

## General Fund

## BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
<b>EXPENDITURES - CONTINUED</b>				
Tree Commission				
Tree maintenance	\$ 5,250	\$ 1,850	\$ 1,808	\$ 42
Tree programs	275	175	134	41
Miscellaneous	-	400	362	38
Professional services	275	25	-	25
Capital outlay	12,250	12,100	12,100	-0-
Total tree commission	18,050	14,550	14,404	146
Cable Television				
Supplies	400	400	371	29
Miscellaneous	150	-	-	-0-
Capital outlay	300	-	-	-0-
Total cable television	850	400	371	29
Retiree benefits				
Health insurance	16,411	12,911	12,853	58
Total general government	1,043,625	1,095,985	1,112,362	(16,377)
Public safety				
Safety/Training				
Operating supplies	200	-	-	-0-
Conference and travel	150	-	-	-0-
Training	375	-	-	-0-
Total safety/training	725	-0-	-0-	-0-
Police department				
Salaries	418,282	414,932	414,623	309
Social security	31,999	31,799	31,787	12
Health insurance	68,309	70,859	70,762	97
Life insurance	5,995	7,995	7,942	53
Retirement	72,985	64,985	64,859	126
Deferred compensation	5,250	5,050	5,019	31
Medical Reimbursement	6,500	5,800	5,711	89
Uniforms	7,000	2,800	2,534	266
Operating supplies	6,500	2,500	2,462	38
Detective services	6,500	200	100	100
Liability insurance	12,900	13,280	13,279	1
Telephone	2,060	2,360	2,423	(63)
Radio	7,500	6,000	5,979	21
Equipment rental	52,530	52,530	52,530	-0-
Conference and travel	450	625	613	12
Repairs and maintenance	1,500	400	381	19
Memberships and dues	450	250	227	23

## City of DeWitt

## General Fund

## BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
<b>EXPENDITURES - CONTINUED</b>				
Public safety - continued				
Police department - continued				
Police training	\$ 2,500	\$ 3,915	\$ 3,875	\$ 40
Miscellaneous	1,500	1,200	1,222	(22)
Capital outlay	30,930	30,430	30,347	83
Total police department	741,640	717,910	716,675	1,235
Fire department				
Professional services	133,129	133,129	133,129	-0-
Utilities	275	200	180	20
Repairs and maintenance	2,884	34	-	34
Capital outlay	2,060	60	-	60
Total fire department	138,348	133,423	133,309	114
Planning commission				
Professional services	50,000	40,800	36,737	4,063
Conference and travel	300	300	300	-0-
Operating supplies	200	50	26	24
Miscellaneous	500	425	406	19
Total planning commission	51,000	41,575	37,469	4,106
Total public safety	931,713	892,908	887,453	5,455
Public works				
Salaries	234,995	233,920	233,814	106
Social security	17,977	18,352	18,335	17
Health insurance	21,894	26,219	26,188	31
Life insurance	3,578	3,978	3,888	90
Retirement	58,749	56,649	56,604	45
Deferred compensation	10,884	9,309	9,280	29
Medical reimbursement	2,500	2,400	2,327	73
MERS health care savings plan	-	1,500	1,476	24
Uniforms	4,600	4,050	3,908	142
Supplies	9,785	7,785	7,739	46
Telephone	3,296	3,571	3,994	(423)
Equipment	15,965	15,965	15,965	-0-
Conference and travel	150	25	-	25
Utilities	7,350	6,675	6,652	23
Repairs and maintenance	6,500	850	926	(76)
Membership	100	100	70	30
Miscellaneous	500	500	507	(7)
Capital outlay	3,000	3,000	-	3,000
Total public works	401,823	394,848	391,673	3,175

## City of DeWitt

## General Fund

## BUDGETARY COMPARISON SCHEDULE - CONCLUDED

Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
<b>EXPENDITURES - CONTINUED</b>				
Recreation and cultural				
Salaries	\$ 4,000	\$ 1,250	\$ 1,187	\$ 63
Social security	306	106	91	15
Operating supplies	9,300	6,100	6,291	(191)
Professional services	31,100	56,543	61,648	(5,105)
Utilities	4,520	5,120	5,364	(244)
Repairs and maintenance	8,250	3,750	5,042	(1,292)
Miscellaneous	1,000	1,000	19	981
Capital outlay	70,000	-	-	-0-
Total recreation and cultural	128,476	73,869	79,642	(5,773)
Debt service				
Interest and fiscal agent charges	-	5,800	5,760	40
<b>TOTAL EXPENDITURES</b>	<b>2,505,637</b>	<b>2,463,410</b>	<b>2,476,890</b>	<b>(13,480)</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>277,436</b>	<b>370,457</b>	<b>381,664</b>	<b>11,207</b>
<b>OTHER FINANCING USES</b>				
Transfers out	(291,950)	(291,950)	(291,950)	-0-
<b>NET CHANGE IN FUND BALANCE</b>	<b>(14,514)</b>	<b>78,507</b>	<b>89,714</b>	<b>11,207</b>
Fund balance, beginning of year	885,450	885,450	885,450	-0-
Fund balance, end of year	<u>\$ 870,936</u>	<u>\$ 963,957</u>	<u>\$ 975,164</u>	<u>\$ 11,207</u>

## City of DeWitt

## Local Street Fund

## BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental - State	\$ 86,151	\$ 74,251	\$ 81,476	\$ 7,225
Interest				
Investments	10,300	18,550	23,255	4,705
Special assessments	-	5	10	5
Other				
Miscellaneous	325	-	-	-0-
Special assessments	-	5,124	5,133	9
<b>TOTAL REVENUES</b>	<b>96,776</b>	<b>97,930</b>	<b>109,874</b>	<b>11,944</b>
<b>EXPENDITURES</b>				
Current				
Public works				
Salaries	16,155	17,130	17,045	85
Fringe benefits	9,693	10,293	10,227	66
Supplies	10,176	8,126	8,018	108
Professional services	37,193	48,693	48,566	127
Repairs and maintenance	245,000	219,000	238,756	(19,756)
Equipment rental	21,450	30,610	30,367	243
Miscellaneous	125	25	-	25
<b>Total public works</b>	<b>339,792</b>	<b>333,877</b>	<b>352,979</b>	<b>(19,102)</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(243,016)</b>	<b>(235,947)</b>	<b>(243,105)</b>	<b>(7,158)</b>
<b>OTHER FINANCING SOURCES</b>				
Transfer in	225,000	225,000	225,000	-0-
<b>NET CHANGE IN FUND BALANCE</b>	<b>(18,016)</b>	<b>(10,947)</b>	<b>(18,105)</b>	<b>(7,158)</b>
Fund balance, beginning of year	332,542	332,542	332,542	-0-
Fund balance, end of year	<u>\$ 314,526</u>	<u>\$ 321,595</u>	<u>\$ 314,437</u>	<u>\$ (7,158)</u>

## **OTHER SUPPLEMENTARY INFORMATION**

City of DeWitt  
Nonmajor Governmental Funds  
COMBINING BALANCE SHEET  
June 30, 2008

	Major Street	Special Building Department	Public Improvement
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,458	\$ 1,157	\$ 29,354
Investments	298,424	17,000	6,000
Special assessment receivable	20,768	-	138
Interest receivable	3,464	-	-
Due from other governmental units			
State	32,188	-	-
<b>TOTAL ASSETS</b>	<b>\$ 356,302</b>	<b>\$ 18,157</b>	<b>\$ 35,492</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 17,030	\$ -	\$ -
Deferred revenue	18,479	-	-
<b>TOTAL LIABILITIES</b>	<b>35,509</b>	<b>-0-</b>	<b>-0-</b>
<b>FUND BALANCES</b>			
Reserved for			
Cemetery maintenance	-	-	-
Unreserved			
Designated for subsequent year's expenditures	113,187	9,150	-
Undesignated, reported.in:			
Special revenue funds	207,606	9,007	35,492
Capital projects fund	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>320,793</b>	<b>18,157</b>	<b>35,492</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 356,302</b>	<b>\$ 18,157</b>	<b>\$ 35,492</b>

Revenue		Debt Service	Capital Projects	Permanent Fund	Total Nonmajor Governmental Funds
Drug Law Enforcement	Special Donations	1978 Sewer	Building Authority	Cemetery Perpetual Care	
\$ 77	\$ 3,248	\$ -	\$ 32	\$ 69,112	\$ 104,438
2,500	11,000	-	-	56,000	390,924
-	-	-	-	-	20,906
-	-	-	-	-	3,464
-	-	-	-	-	32,188
<u>\$ 2,577</u>	<u>\$ 14,248</u>	<u>\$ -0-</u>	<u>\$ 32</u>	<u>\$ 125,112</u>	<u>\$ 551,920</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,030
-	-	-	-	-	18,479
-0-	-0-	-0-	-0-	-0-	35,509
-	-	-	-	125,112	125,112
-	-	-	-	-	122,337
2,577	14,248	-	-	-	268,930
-	-	-	32	-	32
<u>2,577</u>	<u>14,248</u>	<u>-0-</u>	<u>32</u>	<u>125,112</u>	<u>516,411</u>
<u>\$ 2,577</u>	<u>\$ 14,248</u>	<u>\$ -0-</u>	<u>\$ 32</u>	<u>\$ 125,112</u>	<u>\$ 551,920</u>



## City of DeWitt

## Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES

Year Ended June 30, 2008

	Major Street	Special Building Department	Public Improvement
REVENUES			
Licenses and permits	\$ -	\$ 33,363	\$ -
Intergovernmental			
State	196,524	-	-
Charges for services	-	-	-
Interest and rents	10,914	817	909
Other			
Special assessments	6,340	-	130
Other	-	-	34
TOTAL REVENUES	213,778	34,180	1,073
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	42,994	-
Public works	91,303	-	-
Debt service			
Principal	45,000	-	-
Interest and fiscal agent fees	12,325	-	-
TOTAL EXPENDITURES	148,628	42,994	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	65,150	(8,814)	1,073
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(25,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(25,000)	-0-	-0-
NET CHANGE IN FUND BALANCES	40,150	(8,814)	1,073
Fund balances, beginning of year	280,643	26,971	34,419
Fund balances, end of year	\$ 320,793	\$ 18,157	\$ 35,492

Revenue		Debt Service	Capital Projects	Permanent	Total
Drug Law Enforcement	Special Donations	1978 Sewer	Building Authority	Cemetery Perpetual Care	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,363
-	-	-	-	-	196,524
-	-	-	-	10,590	10,590
117	538	38	-	3,879	17,212
-	-	-	-	-	6,470
-	3,917	-	-	-	3,951
117	4,455	38	-0-	14,469	268,110
-	-	-	599	2,524	3,123
-	3,470	-	-	-	46,464
-	-	-	-	-	91,303
-	-	-	-	-	45,000
-	-	-	-	-	12,325
-0-	3,470	-0-	599	2,524	198,215
117	985	38	(599)	11,945	69,895
-	-	-	599	-	599
-	-	(1,115)	-	-	(26,115)
-0-	-0-	(1,115)	599	-0-	(25,516)
117	985	(1,077)	-0-	11,945	44,379
2,460	13,263	1,077	32	113,167	472,032
<u>\$ 2,577</u>	<u>\$ 14,248</u>	<u>\$ -0-</u>	<u>\$ 32</u>	<u>\$ 125,112</u>	<u>\$ 516,411</u>

## City of DeWitt

## Major Street Fund

## BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental - State	\$ 209,000	\$ 180,000	\$ 196,524	\$ 16,524
Interest				
Investments	1,600	7,850	9,309	1,459
Special assessments	-	1,005	1,605	600
Other				
Special assessments	-	5,925	6,340	415
Other	2,750	-	-	-0-
TOTAL REVENUES	213,350	194,780	213,778	18,998
EXPENDITURES				
Current				
Public works				
Salaries	17,600	15,800	15,739	61
Fringe benefits	10,500	8,725	8,696	29
Supplies	9,252	8,627	8,556	71
Professional services	5,453	15,853	17,460	(1,607)
Construction	12,000	13,800	12,598	1,202
Equipment rental	22,700	28,300	28,246	54
Miscellaneous	250	250	8	242
Total public works	77,755	91,355	91,303	52
Debt service				
Principal	45,000	45,000	45,000	-0-
Interest and fiscal charges	13,420	12,420	12,325	95
Total debt service	58,420	57,420	57,325	95
TOTAL EXPENDITURES	136,175	148,775	148,628	147
EXCESS OF REVENUES OVER EXPENDITURES	77,175	46,005	65,150	19,145
OTHER FINANCING USES				
Transfers out	(25,000)	(25,000)	(25,000)	-0-
NET CHANGE IN FUND BALANCE	52,175	21,005	40,150	19,145
Fund balance, beginning of year	280,643	280,643	280,643	-0-
Fund balance, end of year	\$ 332,818	\$ 301,648	\$ 320,793	\$ 19,145

## City of DeWitt

## Building Department Fund

## BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Licenses and permits	\$ 54,500	\$ 33,535	\$ 33,363	\$ (172)
Interest	600	600	817	217
TOTAL REVENUES	55,100	34,135	34,180	45
EXPENDITURES				
Current				
Public safety				
Salaries	15,000	15,000	15,000	-0-
Fringe benefits	9,000	9,000	9,000	-0-
Supplies	1,500	1,500	1,500	-0-
Professional services	31,000	16,500	16,476	24
Memberships and dues	300	300	300	-0-
Administration costs	500	500	500	-0-
Miscellaneous	250	250	218	32
TOTAL EXPENDITURES	57,550	43,050	42,994	56
NET CHANGE IN FUND BALANCE	(2,450)	(8,915)	(8,814)	101
Fund balance, beginning of year	26,971	26,971	26,971	-0-
Fund balance, end of year	\$ 24,521	\$ 18,056	\$ 18,157	\$ 101

## City of DeWitt

## Public Improvement Fund

## BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Interest				
Investments	\$ 1,350	\$ 840	\$ 901	\$ 61
Special assessments	75	(25)	8	33
Other				
Special assessments	5,000	900	130	(770)
Other	3,000	-	34	34
TOTAL REVENUES	9,425	1,715	1,073	(642)
EXPENDITURES				
Current				
Community and economic development				
Miscellaneous	100	100	-	100
NET CHANGE IN FUND BALANCE	9,325	1,615	1,073	(742)
Fund balance, beginning of year	34,419	34,419	34,419	-0-
Fund balance, end of year	<u>\$ 43,744</u>	<u>\$ 36,034</u>	<u>\$ 35,492</u>	<u>\$ (742)</u>

City of DeWitt

Drug Law Enforcement Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Interest	\$ -	\$ 115	\$ 117	\$ 2
EXPENDITURES	-	-	-	-0-
NET CHANGE IN FUND BALANCE	-0-	115	117	2
Fund balance, beginning of year	2,460	2,460	2,460	-0-
Fund balance, end of year	<u>\$ 2,460</u>	<u>\$ 2,575</u>	<u>\$ 2,577</u>	<u>\$ 2</u>

City of DeWitt

Special Donations Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Interest	\$ -	\$ 525	\$ 538	\$ 13
Other				
Donations	-	3,900	3,917	17
TOTAL REVENUES	-0-	4,425	4,455	30
EXPENDITURES				
Current				
Public safety	-	3,490	3,470	20
NET CHANGE IN FUND BALANCE	-0-	935	985	50
Fund balance, beginning of year	13,263	13,263	13,263	-0-
Fund balance, end of year	\$ 13,263	\$ 14,198	\$ 14,248	\$ 50

City of DeWitt

SCHEDULE OF BONDED DEBT OUTSTANDING

June 30, 2008

Limited Tax General Obligation Building Authority - Park Improvement Bonds

Issue: \$ 975,000

Issue date: February 1, 1999

<u>Due Date</u>	<u>Interest Rate</u>	<u>Bonds Maturing</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
5/1/2009	4.40 %	\$ 70,000	\$ 18,940	\$ 88,940
5/1/2010	4.40	70,000	15,860	85,860
5/1/2011	4.50	70,000	12,780	82,780
5/1/2012	4.60	70,000	9,630	79,630
5/1/2013	4.70	70,000	6,410	76,410
5/1/2014	4.80	65,000	3,120	68,120
		<u>\$ 415,000</u>	<u>\$ 66,740</u>	<u>\$ 481,740</u>

2004 Michigan Transportation Fund Bonds

Issue: \$ 450,000

Issue date: December 1, 2004

<u>Due Date</u>	<u>Interest Rate</u>	<u>Bonds Maturing</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
10/1/2008	2.75 %	\$ 50,000	\$ 11,075	\$ 61,075
10/1/2009	2.95	55,000	9,577	64,577
10/1/2010	3.15	60,000	7,820	67,820
10/1/2011	3.35	60,000	5,871	65,871
10/1/2012	3.50	65,000	3,727	68,727
10/1/2013	3.70	70,000	1,295	71,295
		<u>\$ 360,000</u>	<u>\$ 39,365</u>	<u>\$ 399,365</u>



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS**

To the Honorable Mayor and  
Members of the City Council  
City of DeWitt, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of DeWitt as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting:

MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Material journal entries were proposed by the auditors to correct misstatements in the financial statements. These misstatements were not detected by the City's internal control over financial reporting. Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (when applicable), including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls. A similar issue was noted and reported in our audit comments last year.

We recommend that the City take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We believe that the significant deficiency described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance or other matter:

#### UNFAVORABLE BUDGET VARIANCES

During our review of the City's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated for the General Fund and one Special Revenue Fund.

The Uniform Budgeting and Accounting Act requires the City to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined". The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body".

We recommend the City monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

This report is intended solely for the information and use of management, the members of the City Council, and others within the City and is not intended to be and should not be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

October 20, 2008